



Director of  
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*Wednesday*  
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**CANADA-US-NATO: Trudeau Criticizes Policy**

*Canada's commitment to NATO almost certainly remains unchanged, despite Prime Minister Trudeau's criticism of US and NATO defense policy.* [REDACTED]

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At an international management conference in Davos, Switzerland, on Saturday, Trudeau questioned the credibility of the US commitment to use nuclear weapons in defense of Western Europe. He also said that NATO warheads are being removed from Europe primarily because they are "obsolete" or are no longer essential to NATO strategy. Trudeau hinted that a review of NATO's dual track policy on arms limitations may be appropriate. [REDACTED]

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Ottawa subsequently issued a statement saying that the Prime Minister had merely broached ideas that are being discussed by various experts on international security. It said that his remarks do not reflect any change in Canada's support for the Alliance. [REDACTED]

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**Comment:** Trudeau has been careful to adopt a balanced approach in his peace efforts and to maintain Canada's endorsement of NATO policies. [REDACTED]

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Trudeau is frustrated, however, that his peace initiative has not gained more international support. He may have hoped to elicit an invitation from Moscow, but he would not want to risk alienating Washington. [REDACTED]

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Although initial reaction in the Canadian press has been critical, Trudeau probably will receive some support from commentators, political supporters, and sections of the public who see his remarks as an attempt to revive stalled East-West arms control talks. In addition to the domestic political considerations, his initiative stems from his commitment to disarmament and from the deeply held belief of many Canadians that it is proper for their country to serve as a helpful mediator in international affairs. [REDACTED]

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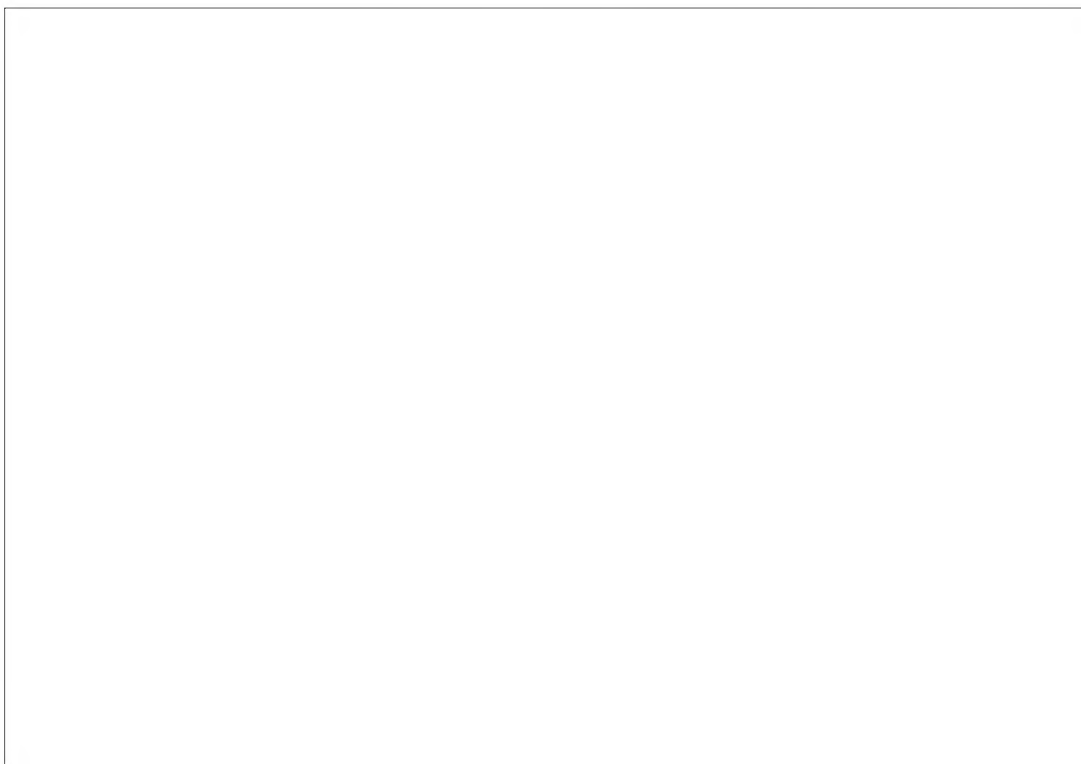
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**PHILIPPINES: Demonstration in Manila**

The demonstration in Manila yesterday, which the US Embassy says involved more than 100,000 protesters, could strengthen opposition calls for a boycott of the National Assembly elections in May. The demonstrators turned out to support several hundred participants in a marathon run in memory of Benigno Aquino, after the military had refused to allow them to enter Manila on Saturday. The antigovernment demonstration was one of the largest since Aquino's assassination.

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**Comment:** Government officials probably had hoped that stopping the run would head off opposition activity aimed at discrediting the plebiscite on 27 January, which approved new election rules and presidential succession procedures. The voter turnout for the plebiscite was low—estimated at between 30 and 60 percent of eligible voters. President Marcos clearly misjudged public reaction to stopping the memorial run and thereby provoked the large demonstration.

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**SURINAME: New Pressures on Bouterse**

Disagreements among key interest groups over power sharing have delayed the formation of an interim cabinet to replace the government of Prime Minister Alibux that resigned on 8 January.

According to the US Embassy [REDACTED]

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business and labor leaders are putting pressure on Army Commander Bouterse to exclude former government members and radical advisers from the cabinet and to give assurances on the restoration of democracy. [REDACTED]

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**Comment:** Bouterse's willingness to compromise during the bauxite strike apparently has encouraged business and labor leaders to push for moderation. Bouterse lacks any popular support and faces a deteriorating economy, and he recognizes a need for the expertise of the business sector and the political backing of the union. To gain the participation of these groups in a new government, he probably will make some accommodations. Bouterse would not agree to any compromise, however, that would reduce his personal power. [REDACTED]

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**SOUTH AFRICA: Announcement on Nuclear Safeguards**

The government announced yesterday that in the future it will require recipients of South African nuclear material, equipment, and technology to adhere to international safeguards. It also said it is prepared to resume discussions with the International Atomic Energy Agency on placing safeguards on a semicommercial uranium enrichment plant that is under construction. [ ]

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**Comment:** The announcement contains no indication that Pretoria will accept international safeguards on its other nuclear facilities, or sign the Nuclear Non-Proliferation Treaty. Pretoria has refused to take such steps on the grounds that to do so would compromise South Africa's technological advances and impede its research and development. The announcement suggests, however, that South Africa wants to reassure critics that it will not defy international guidelines concerning the spread of nuclear technology adaptable to military purposes. Pretoria's critics in other African countries, however, are unlikely to be reassured by the announcement. [ ]

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**USSR-ROMANIA: Oil Agreement**

The Soviets and the Romanians announced—just before Foreign Minister Gromyko arrived in Bucharest on Monday—that the USSR will provide Romania with oil on a barter basis. The US Embassy in Bucharest earlier reported that approximately 1.3 million metric tons of oil, or nearly 15 percent of Romania's projected imports of oil for 1984, will be delivered in the first half of the year, mainly in exchange for agricultural goods. Bucharest has purchased equivalent amounts of Soviet oil in the past for either hard currency or hard goods and at world market prices. In each of the past two years, however, volumes fell to less than 500,000 metric tons. [ ]

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**Comment:** [ ]

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Romania may purchase the oil at the intra-CEMA price for the first time, this price no longer differs from the world price. The new agreement will be of little benefit to Romania, because it probably will have to ship to the USSR goods that it otherwise could sell for cash in the West. [ ]

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**USSR-INDOCHINA: Impending Visit of Soviet Official**

Deputy Foreign Minister Kapitsa will visit Vietnam, Laos, and Kampuchea between 6 and 16 February, according to a Thai Embassy official in Moscow. Last week the Thai Foreign Minister announced that Kapitsa also will visit Bangkok during his trip. This is Kapitsa's third tour of the area since he assumed responsibility for East Asian matters more than a year ago. It will be his second trip to Vietnam and Thailand.

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**Comment:** The timing of the trip—just before the fourth round of Sino-Soviet talks in Moscow—suggests its primary purpose is to discuss the Kampuchea issue with the Vietnamese and the Thai. Kapitsa is unlikely to push Hanoi to make concessions. Moscow has moved from refusing to “discuss” Kampuchea to declining to “resolve” the issue in the course of the first three rounds of Sino-Soviet talks. Kapitsa took office promising to pay more attention than his predecessor to the non-Communist countries in ASEAN, a pledge he has yet to fulfill.

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## **Special Analysis**

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### **VENEZUELA: The New Administration**

*President Lusinchi takes office tomorrow at a time of severe economic strain, and his government's success in reinvigorating the economy will be crucial to political stability. Although Lusinchi's landslide victory in December and a weakened opposition will assist him in devising an economic program, his willingness to adopt necessary austerity measures will be tempered by a desire to placate labor. He also will resist a formal IMF program. In foreign policy, Lusinchi probably will continue his predecessor's policy of restrained criticism of Nicaragua's Sandinistas, but he will be less inclined to cooperate with the US in El Salvador.*

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Lusinchi replaces an administration that was widely discredited because of its economic policies. He is aware, however, of the need to persuade the private sector to reinvest and labor to forgo major wage demands.

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The private sector has praised his selection of a businessman as Minister of Finance, but Minister of Planning Matos Azocar is likely to be the dominant economic policymaker. Matos Azocar has close ties to labor, and he is a strong proponent of state intervention and deficit spending. Lusinchi's gratitude to the labor wing of his party for helping him secure the presidential nomination strengthens the likelihood that he will adopt expansionary economic policies.

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The most urgent problem facing Lusinchi will be servicing Venezuela's \$36 billion debt, of which \$29 billion is contracted by the government and \$7 billion by the private sector. Creditor banks have insisted that \$700 million in overdue interest on private debt be paid by the government as a precondition for refinancing the \$18.4 billion in public sector debt coming due by the end of 1984.

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Some banks have tried to make renegotiation of Venezuela's debt contingent on acceptance of an IMF-approved adjustment program, but Lusinchi recently told US officials that strict adherence to IMF guidelines would cause domestic turmoil. As a result, he is unlikely to go beyond seeking an unofficial IMF endorsement of a self-imposed austerity program. Such a program probably would include a gradual devaluation, some budget cutbacks to reduce large government deficits, and the continuation of import restrictions to avert cash problems.

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**The Political Environment**

Lusinchi and his Democratic Action Party will have some breathing room because his chief opponents, the Social Christians, have a greatly reduced presence in the Congress. The magnitude of their election defeat has intensified internal factionalism, and in the months ahead Social Christian leaders are likely to focus on the struggle for control of the party. [ ]

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The Movement Toward Socialism, the largest leftist party, also failed to make headway in the election. Leaders of this party have refused to join in a unified leftist slate for the coming nationwide municipal elections, thus reinforcing the image of a divided left. Lusinchi probably would have to stumble badly to provide serious openings for the left. [ ]

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In the short term, the new President's biggest worry may be controlling his own party, particularly in view of doubts about his leadership abilities. Lusinchi apparently viewed the recent attempt by former President Perez to arrange a meeting of the Socialist International in Caracas during the inauguration as an early challenge. [ ]

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Lusinchi demonstrated his toughness by canceling the meeting. Perez has considerable grass-roots appeal, however, and he will continue to promote populist policies at home and leftwing social democratic initiatives abroad in his quest for the presidency in 1988. [ ]

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**Foreign Policy**

Lusinchi has emphasized that he intends to play an active foreign policy role. He is widely believed to be antagonistic toward Cuba and to share the anti-Communism of his party's old guard. [ ]

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The new President, however, has limited experience in foreign relations. He will have to fend off his closest adviser, former Foreign Minister Consalvi, who already has publicly advocated improved relations with Cuba. Lusinchi has assured US officials that he has no such plans. [ ]

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Cuba, however, is likely to follow up its successful effort to exchange ambassadors with Ecuador by continuing to cultivate Colombia and Venezuela. If Bogota should override strong political and military opposition to upgrading relations in the months ahead, the Venezuelans might feel compelled to follow suit. [ ]

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Lusinchi will continue Venezuela's moderate stance within the Contadora group. He has told US officials that his government will push the Sandinistas to establish a pluralistic democracy and that he approves of his predecessor's decision to withhold oil deliveries until Nicaragua settles its debt. [REDACTED]

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[REDACTED] the US Embassy reports that in mid-January Lusinchi told a leading member of the Salvadoran insurgents' civilian front group that Venezuela could not accept another Marxist government in Central America. Lusinchi is on record, however, as favoring a negotiated settlement in El Salvador. He believes that such a process would split the guerrillas. [REDACTED]

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Like most leaders of his party, Lusinchi is said to hold El Salvador's Napoleon Duarte in low esteem because of the former Salvadoran President's close ties to Venezuelan Social Christians. Even if Duarte were to win the election next month in El Salvador, Lusinchi probably would want to keep him at arm's length. [REDACTED]

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